

Chapter 6.3 COST/BENEFIT ASSOCIATED WITH THE CONSTRUCTION ASSISTANCE PROGRAM

Construction Grants

The Federal construction grants program was initiated in 1958 to provide financial assistance to municipalities for the planning, design, and construction of publicly owned treatment works. Until 1988, the program was an essential element in pollution control efforts, without which many localities would have been unable to provide wastewater treatment systems.

Through 1988, Virginia received approximately \$1.2 billion in federal appropriations for construction grants. These federal funds financed up to 75% of the total eligible cost of approximately 183 projects. The state contributed another \$52.3 million toward project costs, with the remainder coming from local sources. Total local investment in these projects is estimated at \$500 million.

Virginia Clean Water Revolving Loan Fund

In 1988, the conversion from a grant program to a low-interest loan program to provide financial assistance for the planning, design and construction of POTW's began. The 1986 General Assembly created the Virginia Water Facilities Loan Fund, through which loans could be made to local governments at or below current market interest rates for wastewater treatment improvements. Principal and interest repaid into the fund could then be loaned again for additional projects. The Federal Water Quality Act of 1987 established a State Revolving Loan Fund Capitalization Grant Program that provided an avenue for states to convert federal grant monies into a State Revolving Loan Fund.

On June 10, 1988, Virginia became the first state in EPA Region III and the fifth state in the nation to receive authorization to administer a State Revolving Loan Program. As of June 30, 2007, Virginia has received federal capitalization grants totaling \$592,938,695. In addition, Virginia has provided the required matching funds of \$118,587,739 to the program.

These funds, along with accrued interest earnings, repayments by loan recipients, and the implementation of a leveraging program in each of FY's 1999, 2000, 2004 and 2007 (when demand exceeded available resources) have enabled the VRLF to provide loan assistance to 626 projects totaling over \$2 billion.

AgBMP Loan Program

The 1999 General Assembly amended Chapter 22 of the Code of Virginia, expanding the activities of Virginia's Water Facilities (Clean Water) Revolving Fund, to allow low interest loan financing of specific agricultural best management practices (AgBMP). This legislation was amended to encourage the Commonwealth's farm communities to implement best management practices that reduce or eliminate agricultural non-point source pollution of Virginia's waters. This funding initiative went into effect July 1, 1999. Agreements were reached with the Virginia Resources Authority and the State's three Farm Credit Associations to allow them to perform necessary loan underwriting and execute and disburse loan proceeds to the recipients.

Virginia received its first request for low-interest loan assistance from its AgBMP program on January 14, 2000. Since then, DEQ authorized more than \$24 million in low-interest loan assistance to Virginia farmers for over 400 eligible BMP projects that would improve water quality in the Commonwealth.

Brownfield Program

The 2001 General Assembly amended the VRLF legislation to make loan assistance available for remediation of contaminated Brownfield properties across the Commonwealth. This funding initiative provides assistance to eligible entities for activities that result from an approved site characterization and remediation plan and where the remediation effort results in an improvement to or protection of surface or groundwater. As of June 30, 2007, five loans for Brownfield projects have been authorized.

Land Conservation Loan Program

The 2003 General Assembly enacted legislation that expanded the activities of the fund by allowing Virginia to authorize low-interest loans for acquisition of title or other rights to real property when the Board was satisfied that the acquisition would protect or improve water quality and prevent pollution of state waters. The legislation provided that financing for land acquisition would be available only in those fiscal years when all other eligible loan requests from local governments had been satisfied. This program was included in each of the FY 04 through FY 07 loan solicitations and four loans have been authorized. Table 6.3 - 1 summarizes Revolving Loan Fund cumulative status as of June 30, 2007.

Table 6.3 - 1 - Summary of Revolving Loan Fund Status

| | Number | Amount |
|---|---------------|---------------------------|
| Section 212 Loans Closed* | 260 | \$1,564,685,321.27 |
| AgBMP Loans Closed | 296 | \$ 22,475,690.81 |
| Additional Section 319 Loans Closed | 9 | \$ 7,813,551.00 |
| Section 212 Loans Approved (not closed as of 6/30/2007) | 19 | \$ 168,945,193.00 |
| AgBMP Loans Authorized (not closed as of 6/30/2007) | 17 | \$ 2,186,168.00 |
| Additional Section 319 Loans Approved (not closed as of 6/30/2007) | 5 | \$ 13,251,185.00 |
| Section 212 Loans Targeted for FY 2008** | 19 | \$ 222,232,181.00 |
| Additional Section 319 Loans Targeted for FY 2008 | 1 | \$ 1,000,000.00 |
| TOTAL | 626 | \$2,002,589,290.08 |

* Includes projects funded with loan payments, leveraged bond proceeds, and amounts utilized for Program Administration.

** Pending receipt of federal funds.

The impact of Virginia's loan program on water quality and public health can be summarized as follows:

- Eliminated Virginia's 12 remaining municipal "primary discharge" treatment plants
- Upgraded or replaced 35 inadequate municipal wastewater treatment lagoon systems
- Upgraded, expanded or replaced 135 outdated public wastewater treatment facilities
- Eliminated 153 major points of raw sewage overflows
- Improved water quality at 95 projects by significantly reducing infiltration/inflow loading to the plants and the receiving streams
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- Addressed 38 potential community public health hazard situations by eliminating failing septic systems, pit privies and straight-line discharges through the construction of public sewer systems
- Installed nutrient removal technology at 23 municipal treatment facilities discharging to the Chesapeake Bay
- Established 5 local loan programs for the replacement/rehabilitation of individual on-site wastewater treatment systems
- Conserved 5,920 acres of land, thereby protecting water quality in the associated watersheds

As of June 30, 2007, the Department of Environmental Quality's Ag BMP Loan Program had provided 296 low interest loans to Virginia farmers to assist them with implementation expenses related to the following 405 agricultural best management practices.

| BMP ID # | BMP Name | # of each BMP implemented at Farm Operation Type | | | | | | | Total Funded |
|--------------------------|--|--|---------|------|-------|-------|-------|----------|--------------|
| | | Dairy | Poultry | Beef | Swine | Sheep | Horse | Row Crop | |
| WP-6 | Ag Chemical & Fertilizer Handling Facility | | | | | | | 1 | 1 |
| SL-6B | Alternative Water System | | | 2 | | 1 | | | 3 |
| WP-4 | Animal Waste Control Facility | 64 | 68 | 23 | 1 | 1 | 1 | 1 | 159 |
| WP-4E | Animal Waste Structure Pumping Equipment | 16 | | 1 | 9 | | | | 26 |
| WP-4C | Composter Facility | 1 | 34 | | 2 | | | | 37 |
| WP-4B | Loafing Lot Management System | 23 | | 1 | | | | | 24 |
| WP-8 | Relocation of Confined Feeding Operation | 3 | | 4 | | | | | 7 |
| SL-11B | Animal Travel Lane Stabilization | 7 | | 3 | | | | | 10 |
| SL-6 | Grazing Land Protection | 8 | | 41 | | | 1 | | 50 |
| WP-2B | Stream Crossing & Hardened Access | 1 | | 2 | | | | | 3 |
| WP-2 | Stream Protection | 3 | | 4 | | 1 | | | 8 |
| WP-2A | Stream Bank Stabilization | | | 2 | | | | | 2 |
| NTD | No Till Planter/Drill | 3 | | 2 | | | | 70 | 75 |
| Total BMPs Loan Funded = | | | | | | | | | 405 |